

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 ERDA-05 AID-05 CEA-01 CIAE-00

DODE-00 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 /098 W

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EO 11652: N/A

TAGS: ENRG, BTIO, TH

SUBJ: COUNTRY-FINANCED SERVICES: STATUS OF NATURAL GAS PROJECT

REF: (A) BANGKOK 17144; (B) BANGKOK 15005

1. IN AUG. 9 REVIEW OF PROGRESS ON NATURAL GAS PROJECT WITH DR. CHARAN ACHALABHUTI, EXECUTIVE DIRECTOR, NATURAL GAS ORGANIZATION OF THAILAND (NGOT), FOLLOWING POINTS EMERGED:

A. WORLD BANK'S BANGKOK OFFICE BY LETTER OF JULY 28 HAS OFFERED TO LOAN TO NGOT TO FUND ENGINEERING AND DESIGN WORK TO BRING PIPELINE PROJECT TO CONSTRUCTION STAGE. ALTHOUGH LETTER DOES NOT MENTION DOLLAR FIGURE, DR. CHARAN SAID LIMIT OF US \$5 MILLION WAS CITED IN HIS DISCUSSIONS WITH BANK OFFICIALS. BANK OFFER WILL BE DISCUSSED BY NGOT'S BOARD OF DIRECTORS AUG. 10.

B. IN AUG. 10 MEETING (ABOVE) SUB-COMMITTEE HEADED BY DR. CHARAN WILL PRESENT RECOMMENDATIONS FOR HIRING PIPELINE PROJECT CONSULTANT IN FOLLOWING RANK ORDER: (1) PIPELINE TECHNOLOGISTS; (2) R. J. BROWN ASSOCIATES; (3) OPT. (REF. B, PARA 3). WHEN SELECTION IS MADE, GOT WILL SENT CONTRACT TO BE VETTED BY PUBLIC PROSECUTOR

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PRIOR TO SIGNING WITH FIRM. ON ASSUMPTION USG APPROVES PROPOSAL FOR PHASED APPROACH (REF A) AND US FIRM IS SELECTED, COPY OF CONTRACT WOULD ALSO BE SENT TO USAID FOR APPROVAL.

C. COPY OF CONTRACT TO RETAIN DEGOLYER AND MACNAUGHTON FOR RESERVOIR STUDY (REF B) IS BEING REVIEWED BY PUBLIC PROSECUTOR. WHEN APPROVED, IT WILL BE SENT TO USAID FOR REVIEW PRIOR TO BEING

SIGNED. DEGOLYER AND MACNAUGHTON IS ALREADY REVIEWING DATA FROM UNION OIL AND TEXAS-PACIFIC (T-P) FIELDS ON BASIS OF INFORMAL LETTER OF INTENT, AND WILL PROBABLY PRESENT FINDINGS TO NGOT IN OCTOBER. STUDY OF PROSPECTS FOR REMAINDER OF GULF WOULD BE COMPLETED LATER.

D. NGOT WILL OPEN TALKS WITH TEXAS-PACIFIC AUGUST 15 IN EFFORT REACH AGREEMENT ON NATURAL GAS PRICE FORMULA. PRICE TALKS HAVE PREVIOUSLY BEEN HELD EXCLUSIVELY WITH UNION, AND THESE APPEAR TO HAVE BOGGED DOWN (BANGKOK 10842 AND 9809). IN TALKS WITH EMBOFFS, NGOT AND UNION OFFICIALS HAVE EACH BRANDED OTHER SIDE AS INTRACTABLE, INFLEXIBLE, AND UNWILLING TO PROVIDE DATA REQUESTED ON WHICH OPPOSING PROPOSALS CAN BE EVALUATED. WE ARE TRYING TO PLAY CONCILIATORY ROLE IN REGARD TO ASSURANCES AS TO OBJECTIVES AND INTENTIONS OF EACH SIDE WITHOUT BECOMING EMBROILED IN SUBSTANCE OF TALKS. DR. CHARAN BELIEVES AGREEMENT ON PRICE FORMULA CAN BE REACHED BY SEPTEMBER OR OCTOBER. HE CONFIRMED THAT ONE STICKING POINT FOR UNION IS RTG DEMAND, BASED ON ANTICIPATED LIFE OF GAS FIELDS AND REASONABLE RATE OF RETURN FOR UNION, THAT RTG SHARE OF GAS REVENUES BE INCREASED OVER ORIGINAL PRICE ADOPTED IF RESERVOIRS OF GAS PROVE TO BE SUBSTANTIALLY LARGER THAN CURRENTLY ESTIMATED BY UNION.

2. BASED ON REQUEST SOME TIME AGO BY DR. SNOH, GOVERNOR OF BANK OF THAILAND (BOT), AND ON TENTATIVE AGREEMENT BY AMBASSADOR AT THAT TIME, WE HAVE DISCUSSED WITH DR. CHARAN AND MR. PISOOT LIMITED OFFICIAL USE

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SUDASNA, DIRECTOR GENERAL, DEPARTMENT OF MINERAL RESOURCES, JOINT EMBASSY-BOT-RTG VISIT TO T-P OFFSHORE DRILLING RIG IN SEPTEMBER. T-P WELCOMES PROPOSAL AND WILL CHARTER SMALL AIRCRAFT FOR TRIP TO SONGKHLA. PARTY WOULD, DEPENDING ON AMBASSADOR'S WISHES ON RETURN, INCLUDE AMBASSADOR, DR. SNOH, MINISTER OF INDUSTRY, AND ASSISTANTS TO EACH. IT MIGHT ALSO INCLUDE TWO-MAN THAI REPORTER-PHOTOGRAPHER POOL. DR. CHARAN NOTED THAT MINISTER OF INDUSTRY'S VISITS TO NEW ZEALAND AND NORTH SEA OIL FIELDS HAVE MADE HIM SYMPATHETIC TO ARGUMENTS OF OIL COMPANIES THAT GOVERNMENTS MUST ACCORD FIRMS REASONABLE RATE OF RETURN ON INVESTMENT IF GOVERNMENTS WISH TO SEE PROGRESS IN OIL AND GAS FIELD DEVELOPMENTS. O'DONOHUE

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Disposition Approved on Date:
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